

15 March 2004

First Home Ownership Inquiry  
Productivity Commission  
LB2 Collins Street East PO  
MELBOURNE VIC 8003

**By Facsimile: 03 9653 2305**

Dear Sir / Madam

I write in relation to your inquiry into first home ownership.

Having worked for one of Australia's largest developers for many years, I believe I am in a position to offer a recommendation that may be of benefit.

A major hurdle facing low and middle income earners in purchasing property is the initial cost, namely:

1. The Deposit; and
2. Stamp Duty.

It is these issues which must be addressed if the objective of increasing the level of home ownership is to be realised.

### **1. The Deposit**

There are a large number of families who have the ability to service a loan yet do not have the disposable income to save for a deposit. It is these families who will in reality maintain repayments on their mortgage and become long term owners with the ability to realise the benefits of capital gains rather than the same market making it progressively more difficult for them to ever enter.

A significant proportion of those renting are in the 30 – 40 year age bracket. These are income earners who have been in the workforce for up to 20 years.

I propose that an individual's superannuation be accessible for the purpose of raising a deposit for their principle place of residence, **with interest on loan repayments being made tax deductible and the savings accrued as a result of this going directly into their superannuation until such time as the amount used for the deposit is replaced. At this time interest repayments are no longer deductible and repayments continue as usual.**

The property must be kept for a minimum of 5 years. If sold prior it will incur stamp duty.

Upon the sale of the property any outstanding amount owed on the superannuation must be paid out at settlement.

Any risks associated with superannuation being used in this way should be considered relative to those in which superannuation is currently being invested.

This will also provide a stimulus for the individual to make greater superannuation contributions.

**A further period for receiving tax concessions on interest repayments could be means tested to give low income families greater benefit in the long term albeit at a reduced rate, thereby easing them into full repayments.**

## **2. Stamp Duty**

Stamp duty relief would have an immediate direct benefit on an enormous number of people.

This could be achieved through stamp duty for the principle place of residence being:

- (a) Abolished for the first homebuyer, this could be means tested or a ceiling placed on the value of the property;
- (b) Repayable over a five year period; and
- (c) Where off the plan purchases are involved stamp duty being payable on only the land component.

**For new purchases the possibility of depreciating their own home would further encourage new home and unit construction for the purpose of owner occupation with the amount claimed repayable on the sale of the property coming out of the sale price.**

This system will also assist both low and middle income families and enable middle income earners to purchase properties in areas closer to the major CBD's thereby reducing the costs associated with urban sprawl.

The initial costs to the government will be minimal relative to the revenue raised from the construction and sale of higher value properties along with the enormous flow through benefits of construction activity maintaining high levels of employment.

The benefits to low and middle income families will be both far reaching and immediate.

Should you wish to discuss this please give me a call on \*\*\*\* \* or via email at \*\*\*\*\*.

Yours sincerely

DAVID RITCH